

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Chandler Township	County Huron
Audit Date 03/31/04	Opinion Date 09/07/04	Date Accountant Report Submitted to State: 09/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			XX
Reports on individual federal financial assistance programs (program audits).			XX
Single Audit Reports (ASLGU).			XX

Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature <i>Brian Hazel, CPA</i>			

CHANDLER TOWNSHIP
FINANCIAL STATEMENTS
MARCH 31, 2004

CHANDLER TOWNSHIP

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
Combined Balance Sheet – All Fund Types	2
Combined Statement of Revenue, Expenditures and Changes in Fund Balance – All Governmental Fund Types	3
Combined Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual - All Governmental Fund Types	4
Notes to Financial Statements	5 - 8
ADDITIONAL INFORMATION	9
Schedule of Expenditures – Budget and Actual – General Fund	10 - 11



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Chandler Township
Elkton, Michigan 48731

We have audited the accompanying general purpose financial statements of Chandler Township as of March 31, 2004, and for the year then ended. These general purpose financial statements are the responsibility of Chandler Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included in order to conform to generally accepted accounting principles.

In our opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chandler Township as of March 31, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Chandler Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

September 7, 2004

**CHANDLER TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES
MARCH 31, 2004**

	<u>GOVERNMENTAL FUND TYPES</u>			<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>ROAD FUND</u>	<u>TAX FUND</u>	
ASSETS:				
Cash	\$ 449,801		\$ 87	\$ 449,888
Taxes receivable	2,745	\$ 6,534		9,279
Due from other funds	87	59,339		59,426
TOTAL ASSETS	<u>\$ 452,633</u>	<u>\$ 65,873</u>	<u>\$ 87</u>	<u>\$ 518,593</u>
LIABILITIES AND FUND EQUITY:				
LIABILITIES:				
Payroll tax withholdings	\$ 160			\$ 160
Due to other funds	59,339		\$ 87	59,426
TOTAL LIABILITIES	<u>59,499</u>		<u>87</u>	<u>59,586</u>
FUND BALANCE:				
Unreserved	366,983	\$ 65,873		432,856
Reserved for emergency services	26,151			26,151
TOTAL FUND BALANCE	<u>393,134</u>	<u>65,873</u>		<u>459,007</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 452,633</u>	<u>\$ 65,873</u>	<u>\$ 87</u>	<u>\$ 518,593</u>

**CHANDLER TOWNSHIP
COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL
FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>MEMORANDUM (ONLY)</u>
REVENUE:			
Taxes	\$ 58,761	\$ 138,753	\$ 197,514
Licenses and permits	420		420
Intergovernmental	35,050		35,050
Miscellaneous	<u>3,447</u>	<u>228</u>	<u>3,675</u>
TOTAL REVENUE	<u>97,678</u>	<u>138,981</u>	<u>236,659</u>
EXPENDITURES:			
Current:			
Township board	3,499		3,499
Supervisor	7,240		7,240
Elections	93		93
Assessor	6,404		6,404
Clerk	6,343		6,343
Board of review	829		829
Treasurer	8,278		8,278
Township hall and grounds	4,212		4,212
Cemetery	2,300		2,300
Fire fighting	15,900		15,900
Building inspector	450		450
Planning and zoning	1,595		1,595
Drains	10,708		10,708
Street lighting	433		433
Roads		73,647	73,647
Ambulance	<u>1,503</u>		<u>1,503</u>
TOTAL EXPENDITURES	<u>69,787</u>	<u>73,647</u>	<u>143,434</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>27,891</u>	<u>65,334</u>	<u>93,225</u>
FUND BALANCE - BEGINNING OF YEAR	339,092	539	339,631
FUND BALANCE - END OF YEAR	<u>\$ 366,983</u>	<u>\$ 65,873</u>	<u>\$ 432,856</u>

CHANDLER TOWNSHIP
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL			SPECIAL REVENUE			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:									
Taxes		\$ 58,761			\$ 138,753			\$ 197,514	
Licenses and permits		420						420	
Intergovernmental		35,050						35,050	
Miscellaneous		3,447			228			3,675	
TOTAL REVENUE	\$ 100,000	97,678	\$ (2,322)	\$ 137,000	138,981	\$ 1,981	\$ 237,000	236,659	\$ (341)
EXPENDITURES:									
Current:									
Township board	7,000	3,499	3,501				7,000	3,499	3,501
Supervisor	8,500	7,240	1,260				8,500	7,240	1,260
Elections	2,000	93	1,907				2,000	93	1,907
Assessor	7,500	6,404	1,096				7,500	6,404	1,096
Clerk	8,500	6,343	2,157				8,500	6,343	2,157
Board of review	1,000	829	171				1,000	829	171
Treasurer	9,000	8,278	722				9,000	8,278	722
Township hall and grounds	12,000	4,212	7,788				12,000	4,212	7,788
Cemetery	2,300	2,300					2,300	2,300	
Fire fighting	17,500	15,900	1,600				17,500	15,900	1,600
Building Inspector	550	450	100				550	450	100
Planning and zoning	1,000	1,595	(595)				1,000	1,595	(595)
Drains	13,000	10,708	2,292				13,000	10,708	2,292
Street lighting	550	433	117				550	433	117
Roads				137,000	73,647	63,353	137,000	73,647	63,353
Ambulance	2,500	1,503	997				2,500	1,503	997
Capital outlay	6,000		6,000				6,000		6,000
TOTAL EXPENDITURES	98,900	69,787	29,113	137,000	73,647	63,353	235,900	143,434	92,466
EXCESS OF REVENUE OVER EXPENDITURES	1,100	27,891	26,791		65,334	65,334	1,100	93,225	92,125
FUND BALANCE - BEGINNING OF YEAR	339,092	339,092		539	539		339,631	339,631	
FUND BALANCE - END OF YEAR	\$ 340,192	\$ 366,983	\$ 26,791	\$ 539	\$ 65,873	\$ 65,334	\$ 340,731	\$ 432,856	\$ 92,125

CHANDLER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Township operates under a board-supervisor form of government and provides the following services as authorized by its charter: Public Safety-Fire and Ambulance, Highways and Streets, Cemetery, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units which should be included in the reporting entity of Chandler Township.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Township:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Township's property tax levy for roads and highways is accounted for in a special revenue fund.

CHANDLER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basis of Accounting

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year-end.

Those revenues susceptible to accrual are property taxes, intergovernmental, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the Township also are recognized as revenue. Permits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Budgets and Budgetary Accounting

As set forth in the Township Charter, the Township Board adopts an annual budget for the General and Special Revenue Funds. The annual budgets are prepared in accordance with the basis of accounting utilized by the funds. Any revisions or amendments that alter the expenditures must be approved by the Township Board. All annual appropriations lapse at fiscal year-end.

Total Columns on Combined Statements

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year. The Township bills and collects its own property taxes along with the property taxes of other governmental units including the County and local school districts located within its jurisdiction. Township property tax revenues are recognized when levied.

CHANDLER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 2 - CASH DEPOSITS:

At March 31, 2004, the carrying amount of the Township's deposits was \$449,888 and the bank balance was \$449,888. Of the bank balance, \$100,000 was covered by federal depository insurance and \$349,888 was uncollateralized.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the following expenditures were in excess of the amounts appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Planning & Zoning	\$ 1,000	\$ 1,595	\$(595)

NOTE 4 - RETIREMENT PLAN:

During the year ended March 31, 1992, Chandler Township established a defined contribution group pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. To be eligible to participate in the Plan, an employee of the Township must be in an eligible class of employees. For Chandler Township, the eligible class of employees are employees who are elected officials. Contributions made by an employee and contributions made by the Township vest immediately. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied. Each employee may make single sum voluntary after tax contributions at times specified by the Plan Administrator during each plan year. The Township is required to contribute an amount equal to 15% of the employee's gross earnings.

CHANDLER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 - RETIREMENT PLAN: (CONTINUED)

During the year the Township's required and actual contributions amounted to \$3,144 which was 17.2% of its current-year covered payroll. The excess contributions made by the Township were in recognition of employee service prior to the Plan's original effective date. The Township's current-year covered payroll and total payroll amounted to \$18,250 and \$19,420, respectively.

NOTE 5 - RISK MANAGEMENT:

Significant losses are covered by commercial insurance. For the year ended March 31, 2004, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

ADDITIONAL INFORMATION

**CHANDLER TOWNSHIP
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
TOWNSHIP BOARD:			
Trustee salaries		\$ 1,750	
Retirement		383	
Professional fees		650	
Dues		602	
Travel		10	
Miscellaneous		80	
Education		24	
TOTAL TOWNSHIP BOARD	<u>\$ 7,000</u>	<u>3,499</u>	<u>\$ 3,501</u>
SUPERVISOR:			
Salary		5,500	
Retirement		908	
Payroll taxes		52	
Education		780	
TOTAL SUPERVISOR	<u>8,500</u>	<u>7,240</u>	<u>1,260</u>
ELECTIONS:			
Supplies		9	
Printing and publishing		84	
TOTAL ELECTIONS	<u>2,000</u>	<u>93</u>	<u>1,907</u>
ASSESSOR:			
Salary		4,845	
Tax roll preparation		1,559	
TOTAL ASSESSOR	<u>7,500</u>	<u>6,404</u>	<u>1,096</u>
CLERK:			
Salary		5,000	
Deputy clerk		200	
Retirement		833	
Payroll taxes		92	
Office supplies		25	
Legal notices		193	
TOTAL CLERK	<u>8,500</u>	<u>6,343</u>	<u>2,157</u>
BOARD OF REVIEW:			
Salaries		770	
Payroll taxes		59	
TOTAL BOARD OF REVIEW	<u>1,000</u>	<u>829</u>	<u>171</u>

**CHANDLER TOWNSHIP
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
TREASURER:			
Salary		6,000	
Deputy treasurer		200	
Retirement		1,020	
Payroll taxes		106	
Office supplies		799	
Travel		153	
TOTAL TREASURER	<u>9,000</u>	<u>8,278</u>	<u>722</u>
TOWNSHIP HALL AND GROUNDS:			
Insurance		4,089	
Utilities		123	
TOTAL TOWNSHIP HALL AND GROUNDS	<u>12,000</u>	<u>4,212</u>	<u>7,788</u>
CEMETERY:			
Repairs and maintenance	<u>2,300</u>	<u>2,300</u>	<u>-</u>
FIRE FIGHTING:			
Standby fees	<u>17,500</u>	<u>15,900</u>	<u>1,600</u>
BUILDING INSPECTOR:			
Inspection fees	<u>550</u>	<u>450</u>	<u>100</u>
PLANNING AND ZONING:			
Salaries	<u>1,000</u>	<u>1,595</u>	<u>(595)</u>
DRAINS:			
Drains at large	<u>13,000</u>	<u>10,708</u>	<u>2,292</u>
STREET LIGHTING:			
Utilities	<u>550</u>	<u>433</u>	<u>117</u>
AMBULANCE:			
Contracted services	<u>2,500</u>	<u>1,503</u>	<u>997</u>
CAPITAL OUTLAY:			
Township hall and grounds	6,000		6,000
TOTAL EXPENDITURES	<u>\$ 98,900</u>	<u>\$ 69,787</u>	<u>\$29,113</u>